

**“Canada-U.S. Relations: Shared Borders and Shared Values”
Speech to the Regroupement des Gens d’Affaires
Ottawa
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Merci, Odette (Odette Gough, master of ceremonies). I also want to thank Joanne (Joanne Lefebvre, Executive Director, RGA) and Daniel (Daniel Laliberté, President, RGA) for inviting me to speak before this group.

I used to be a member of an organization called the RGA. That was the Republican Governors Association (laughter). That was a pretty powerful and effective group, and I suspect that this organization is powerful and effective as well.

I know that your group builds bridges across Canada's business community, with special emphasis on the Francophone business community in Québec and here in Ontario. I have had the great opportunity just in the last several months to celebrate quite a bit that is important to Canada and to French-speaking Canada. I was at St. Croix Island when we had the celebration in June of the first French settlement in North America. Unfortunately, it was kind of a cool rainy day out there on the island, but it was a great place to be and to taste a little bit of what those first settlers encountered.

Just last month I was in Québec City with Premier Charest. He had a forum for the business leaders of Québec on strengthening Quebec-U.S. economic ties; a very productive session. Next week I will be in Stanstead, Québec, where I will help inaugurate the Quebec-New England Cross Border Institute. So clearly there is a lot of opportunity for trade between Canada and the United States and with the Francophone business community in the United States. A lot is already happening and we expect that that trade will continue to grow. We also will look forward, four years from now, to the 400th anniversary of the founding of Québec City, a very significant event in the history of North America.

Before I begin my remarks, you will find on your tables a card describing the Embassy Canada website. We are very proud of the Web site that we have at the United States Embassy. We are also very proud that it is in both official languages of Canada (applause), French and English.

There is quite a bit of information available there. Not only can you get copies of my speeches (laughter), but there is a lot of information about immigration, travel to the United States, all of the various regulations that about cross-border trade, and the speeches of the President and the Secretary of State.

Jim Williams is here, who heads up our Public Affairs Section. We get quite a few hits, around 3 million total hits per week. In terms of the State Department and in terms of hits to various web sites, other than the State Department's main Web site, I think we come in second. It is quite a useful site that I hope you will use.

As far as Canada and the United States, our relations are big. They are important. They are sound. But I want to underscore the fact that they have an important global context. I believe that our challenge is not just to work together here in North America, which is something we have done very well for a long time; increasingly it is to work together in the world.

As I said, this relationship is huge. We have the largest trading relationship in the world by far. It is \$500 billion per year. U.S. direct foreign investment in Canada is over \$150 billion and Canadian direct foreign investment in the United States is over \$130 billion. For 39 of our states, Canada is the number one trading partner. Twenty-three per cent of United States exports come north to Canada and about 85 per cent of Canadian exports go south to the United States.

We also have a huge energy relationship. We are the stewards of this continent's environment. Our citizens pass freely and quickly, and each of us is blessed with long traditions of free, uninterrupted, democratic government.

I believe that this is the most important relationship that the United States has in the world, particularly if you consider the impact that this relationship has on the day-to-day lives of United States citizens. Millions of jobs are dependent on the trade that goes back and forth every year every day: millions of jobs in Canada, millions of jobs in the United States. This is how so many families in my country put food on the table, maintain their way of life and their standards of living.

We are also very interconnected. When the lights went out in New York City two summers ago, they went out in Toronto. When the SARS epidemic hit Toronto, our Center for Disease Control was there right away helping the Ontario and federal health officials.

We have learned from the Mad Cow Disease, the isolated cow in Alberta and one in the United States, that we have a highly integrated beef market and we need to work together on the science and on the regulations. I am also hopeful that there is light at the end of that tunnel.

As you might know on BSE, the Department of Agriculture has proposed a rule that will restore full beef trade with Canada. That rule has been under attack by some segments in the United States, but clearly the President, the Department of Agriculture and most people in the U.S. beef industry support the adoption of this rule. We hope that in the not too distant future this rule will be adopted and we will restore that beef trade that is so important.

We need to look beyond that. We need to establish protocols here in North America and around the world so that we do not let isolated cases of BSE close down the borders, which has been the history of BSE on the planet. In fact, when we opened our borders to the boxed beef coming in from Canada, it was the first time that any country had opened its borders to beef from a country that had a BSE case. So we need to resolve the current situation, get the rule adopted, but we also have to look towards the future.

We also have extraordinary law enforcement and intelligence cooperation between Canada and the United States. I will talk a little bit more about that later.

We are proud members of NORAD, the North American Aerospace Defense Command, and we look forward to the renewal and expansion of that command next year. It has been around for over 40 years. Its mission is to protect our two countries from incoming aircraft. We want to look at marine security, cyber security, how we will respond to a terrorist attack or natural disaster, how the military can help civilian authorities.

We are looking at missile defense. We recently reached an agreement with Canada that assigned aerospace early warning to the NORAD Command. We hope that Canada will make a positive decision to participate in missile defense. We

think it is very consistent with the historic mission of NORAD and will help strengthen NORAD as we move forward.

We have also put in place the Smart Border. This has been a significant accomplishment between our two countries: a border that is secure and facilitating all at the same time. Secretary Ridge was here last week meeting with Deputy Prime Minister McLellan. They meet on a frequent basis. Their staffs work together every day, along with my embassy staff and Ambassador Kergin's embassy staff in Washington. This is a work in progress, but we have made significant progress. Secretary Ridge and Minister McLellan were able to announce several new FAST lanes, a new integrated border enforcement team and continued progress.

As I said, there is an important global context to Canada and the United States to what we do. Before I get to the global system of free trade, I want to mention two other significant areas of cooperation: that is environmental cooperation and energy cooperation.

Environmental cooperation is quite important for our part of the world. We have any number of collaborative efforts, whether it is water quality efforts in the Great Lakes, whether it is working on the reduction of mercury emissions in the atmosphere. One significant one that I want to mention today, because I think it sometimes gets misunderstood and misreported, both here and in the United States, is the issue of climate change.

We have taken different approaches to Kyoto, Canada and the United States. The President decided that the Kyoto standards would lead to a diminution in the standard of living for the people of the United States. He was unwilling to accept that diminution in our standard of living because he believes that, if we get the science right, we can address the problem *and* maintain our standard of living.

It is very clear that we remain committed to the central goal of the U.N. framework to stabilize greenhouse gas concentrations. The President announced the policy for the United States in which we will slow, stop and ultimately reverse the greenhouse gas emissions based upon sound science.

We are committed to cut our greenhouse gas intensity -- that is, emissions per unit of economic activity -- by 18 per cent in ten years. That is the equivalent of taking 70 million motor vehicles off the road.

We believe that this is achievable because it is a common sense idea. Economic growth is part of environmental progress. It provides the resources for research and for environmental investment. We are spending \$5.8 billion per year in the United States on this issue, because we do want to get the science right. I would also point out, just to put that into further perspective, that not only is that more than any other country in the world; that is more money than all of Europe, Japan and Canada combined.

So the next time you read that the United States does not care about the issue of global warming and climate change, I hope that you will remember my words. We are working to get the science right. We are putting the money into the science. We are working very closely with Canada. We have a bilateral working group on climate change. We are working on things like carbon sequestration, the Earth Observation Summit and the Hydrogen Economy.

I was just up in Iqaluit. It is pretty obvious those northern regions are seeing the impact of global warming, probably sooner than other parts of the world. The ice

doesn't freeze as quickly. It is changing wildlife habitats. We also know that if we don't address this problem, it will have a global impact. We are talking about islands that will no longer be islands. We are talking about coastal communities that will no longer be coastal communities.

We have a natural cycle over hundreds of thousands of years: the earth warms and the earth cools. And we are at the top of a warming trend. We know that the greenhouse gas emissions are having an impact. We need to figure out what that impact is, how we can address it, and how we can make sure that we are prepared for where we are heading.

The reason I mention this is that this is a significant issue that has a very significant global impact and context. It is one that we take very seriously and we are spending a lot of money to make sure that we do it right.

The bottom line is that we have had this hydro-carbon economy. It has lasted for a hundred years, but it will not last forever. If we take the long view, allowing appropriate time frames and drawing on the transformative power of technology, we can change on the necessary scale without economic trauma. That is clearly the goal of the United States.

We also have a huge energy relationship with Canada. You are our largest supplier of total energy, by a margin of two and a half to one. We get more oil from Canada than Saudi Arabia, huge amounts of natural gas and hydro generated electricity. We also sell a lot of electricity to Canada, particularly in the colder months. So it is very much a two-way street. As I mentioned, we are basically on the same grid.

The President established a National Energy Working Group back in 2001. It recognizes that we have major infrastructure challenges. I believe we need a regulatory regime here in Canada and in the United States that encourages upgrading the integrated grid. I believe that the United States and the rest of Canada must do what Quebec has already done after the ice storm. We have to address this grid problem so we don't have a recurrence of the blackout like we had two summers ago. But you have to have the right regulatory climate to encourage this investment.

We also have a supply challenge. The global price for oil is rising, as we have seen, and soon because of the demand for natural gas, which we will not be able to meet the demand totally from gas produced here in North America. We essentially have a continental market for gas right now, but as we establish LNG ports and bring in this liquified natural gas from other parts of the world, the price of gas will also become a global price.

Canada is a net producer of oil, yet the global price of oil is the price of oil in Canada. I think it is important to recognize again there is a global context to what we do. We need to diversify the supply, enhance the supply of energy in North America. We will do this by allowing the markets and technology to work. Despite these high oil prices we have right now, we have not found a better mechanism than a free global market to deliver goods and services to billions of people. This is true of energy as well. We need to remember this as we develop new technologies and reliable sources of energy here in North America.

Let me talk for a couple of minutes about the global system of free trade. I know it has become somewhat of an issue in this election year in both Canada, with your elections last June, and in the United States with our elections coming up on November second. But I think we should start from the premise that we should not

forget that we are fortunate to live in these two great countries. These are free and open democratic societies. We respect individual liberty and human rights. We have strong economies that create jobs and prosperity and a good life for most of our citizens.

We should remember that for billions of people who live on this planet that is not the case. The United States and Canada are working together, at the Free Trade Area of the Americas, at the World Trade Organization, basically to expand what we have here in North America. We want to expand freedom. We want to expand prosperity. We want more and more people who live on this planet to have a better life.

We need to break the log jam around agricultural subsidies. We put on the table a significant proposal for a \$100 billion reduction in these subsidies. If you look at subsidies in Canada and the United States, they are in the 18 to 20 per cent range. In Europe they are in the 36 to 40 per cent range, and in Japan they are over 50 per cent. Trying to get the Europeans and the Japanese to make concessions to try to reduce these subsidies, so developing countries can also get their agricultural products into the market, so that we can have lower consumer prices and more choice for our own people, is one of the challenges.

As you know, outsourcing has become kind of an evil word, if you listen to some of the political discussions in the United States. But I would argue that we should continue down this road.

Number one, I think it is the right thing to do. I think it is right to try to give people a better life. I believe it is in our economic interest. Canada and the United States are great exporters. If we can help a developing country, if we can help a failed state create the climate for investment and trade that allows an economy to grow and people to get jobs and have a better life, we are going to be creating millions and millions of middle-class consumers. And they are going to buy U.S. and Canadian products. If we continue to invest in education and training as we do, we will stay ahead of the technology curve. We will always create more and better paying jobs than we ever lose to outsourcing.

So I really do believe it is in our economic interest. I also believe it is in our security interest. The war on terror, which I will talk about at the conclusion of my remarks, is not just about defeating al-Qaeda. It is about taking a failed state like Afghanistan, and helping that country establish democratic ways, helping that country create the climate for investment and trade so that people have some hope and opportunity in their lives and a bright future.

It is easy to see why Afghanistan became a training ground for the terrorist organizations. Women had no role in the society. People had no vote or voice in their government. They really had no hope and no opportunity. Although it is a struggle there and it is a struggle in Iraq to build these democratic societies, it is certainly in our security interest to do so. I also believe it is what people everywhere want. People want to be free. They want to have a better life for their children. They want to have some hope and opportunity in their lives.

I think we should also remember that trade and investment figures dwarf aid figures. I am not saying that foreign aid is not an important tool, because it is. We can use foreign aid dollars to help a country establish a judicial system that respects the rule of law. We can use foreign aid to help a country build a road that will open up a resource that will help its economy grow. What we need is the rule of law in democratic ways to establish, to encourage investment so companies will

have confidence in investing in a country. We need to build the economies that create jobs. That is how we can lift people out of poverty and give them a better life.

I think we have an example of that here in North America. The North American Free Trade Agreement has helped Canada, has helped the United States, and has helped Mexico. There are a lot more people with a better life in Mexico as the economy of that country has improved. The strength of Mexican democracy has improved. In the most recent presidential election, the opposition party won and there was a peaceful transfer of power, as there should be in a democracy.

I also believe that we can do more here in North America. We have established the North American Energy Working Group. We can coordinate rules of origin labeling, and we can also harmonize our health and safety regulations. I believe that this is something that Prime Minister Martin and President Fox will talk about next week. I know it is something that they have talked about with President Bush as well. We need to continue to set an example with NAFTA, set an example for the world.

We must also seize this opportunity to jump-start economic expansion with a global agreement to open markets. As President Bush said recently at the United Nations, we have faith in the transforming power of freedom. Freedom is on the march; and I believe it is our duty, and really our destiny, to help spread freedom. I believe that Canada and the United States will continue to be great partners in this quest.

We will only succeed if we also continue to confront and counter the international terrorist threat. As I mentioned earlier, the United States and Canada are great partners in this effort. We have built a zone of confidence here in North America. We have put in place the Smart Border. We have a Port Security Initiative so that we can work together, determining which of these millions of containers coming into our ports should be examined. We put in place the Smart Border. We have extraordinary cooperation between our law enforcement and intelligence agencies.

But I have to tell you that this cooperation is now more important than ever. Another attack could be catastrophic to our economic relations. The threat has not receded. The threat is real and we need to continue to work together to make sure that the terrorists do not strike again. Our sheer geography alone makes it inevitable that the terrorists will consider using Canada as a potential launching pad into the United States. That is why it is so critical that we keep working together. And we are.

I have often said, as I speak here in Canada and back home in the United States, that for us the simple fact is that we cannot defend our homeland without Canada's help. This working together with the Royal Canadian Mounted Police; with CSIS; and with other law enforcement and intelligence agencies here in Canada is quite critical: quite critical for the protection of the people of the United States and for the protection of the people of Canada.

We are very encouraged and pleased with the National Security Policy that the Prime Minister announced last April. It has three major objectives: one is to protect Canadians at home and abroad; another is to contribute to international security. And I might add that Canadians are doing quite a good job on that front. With the military forces in Afghanistan, the quick response of military forces to Haiti to help with that country's continued problems, and with the substantial relief and reconstruction money that has been pledged - and much of it already delivered - to the reconstruction of Iraq, Canada is contributing to international security.

The third priority of Canada's National Security Policy is to make sure that Canada is not used as a base for threats to its allies. To my way of thinking, that is just another way of saying what I have been saying: that for us in the United States, we cannot defend our homeland without Canada's help.

When Prime Minister Martin met with President Bush in the Oval Office in April, he told the President that he feels the terrorist threat towards Canadian cities just as President Bush feels the threat towards United States' cities. I think it is quite important that our two leaders are on the same wavelength when it comes to confronting this international terrorist threat. It is pretty clear to me that we will continue to work together to protect the people of Canada and the United States.

All the themes I have discussed today -- building a more secure and prosperous world, protecting our natural resources, making sure we have the energy to power our economies, protecting ourselves from terrorism -- are goals that the United States and Canada share with the global community. We can only achieve them by working together. No one country can achieve them alone.

I would also point out that, for us here in North America, Canada and the United States in particular, we not only share important goals; we also share fundamental values. I mentioned that we both have national elections this year. This is the second time in four years that our national elections have fallen in the same year. Canadians are justly proud of a long parliamentary tradition that combines executive and legislative powers and of an evolutionary political tradition that prides itself on seeking consensus and accommodation among diverse groups of people.

And Americans are equally proud of a political system that seeks to separate and balance executive, legislative and judicial powers. It is a political system that by design values, and often forces, conflict and adversarial debate and national political life.

But paradoxically, our national political systems also illustrate the most important values we share. There is no more important value for Americans and Canadians than a political system that allows us fully to choose our governments and our representatives. Such a system is the foundation of our freedom to live, to think, to talk and to prosper.

These values should not be taken for granted. For over two centuries immigrants of all creeds and from all civilizations who share those values have come to our shores in search of those liberties. They still come. And as they do, they renew our societies. Those values of freedom represented by free elections and democratic government are the lasting bedrock of the great relationship between Canada and the United States.

Thank you very much.